

EDUCATION SECTOR MARKETING PRACTICES

PRESENTED TO :

IBM
Data Processing Division
February 13, 1981

INPUT
Park 80 Plaza West-1
Saddle Brook, NJ 07662

INPUT



ORDER OF PRESENTATION

- INTRODUCTION.
 - PURPOSE.
 - SCOPE.
 - METHODOLOGY.
- CONCLUSIONS.
 - GENERAL.
 - MAINFRAME COMPANIES.
 - MINICOMPUTER COMPANIES.
 - PERSONAL COMPUTER COMPANIES.
- COMPANY PROFILES.
 - MAINFRAME COMPANIES.
 - MINICOMPUTER COMPANIES.
 - PERSONAL COMPUTER COMPANIES.



INTRODUCTION

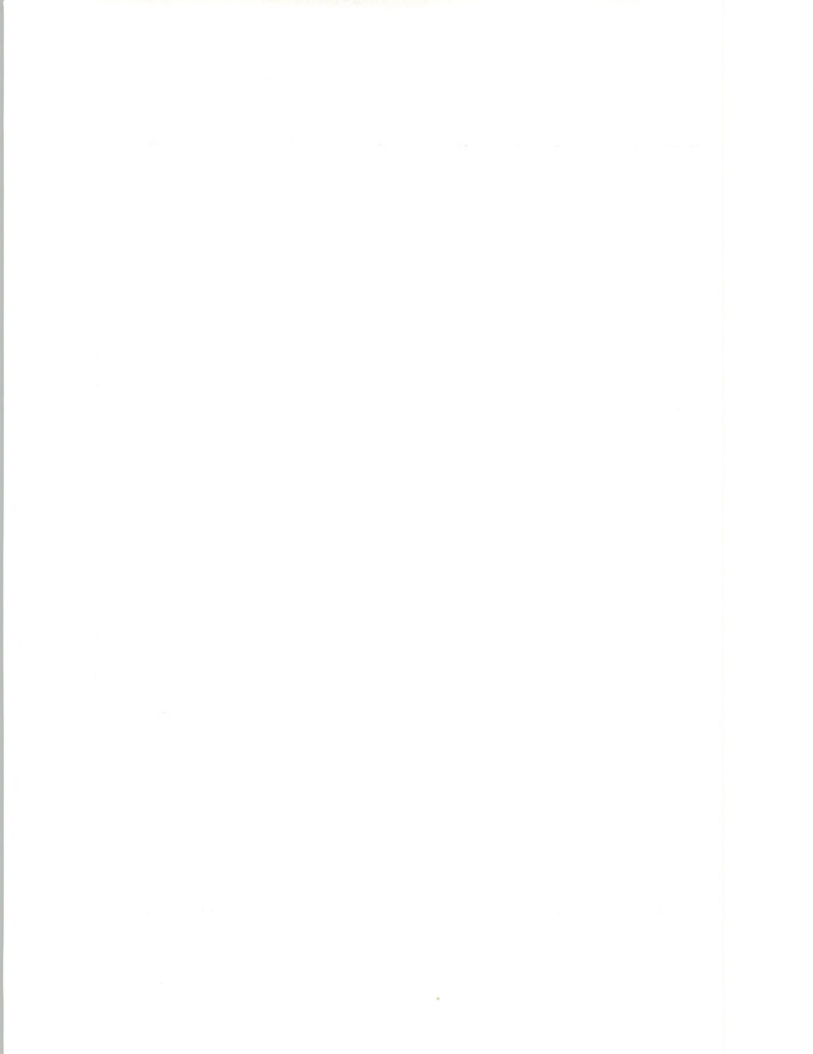
INPUT
YEDS03



INTRODUCTION

PURPOSE

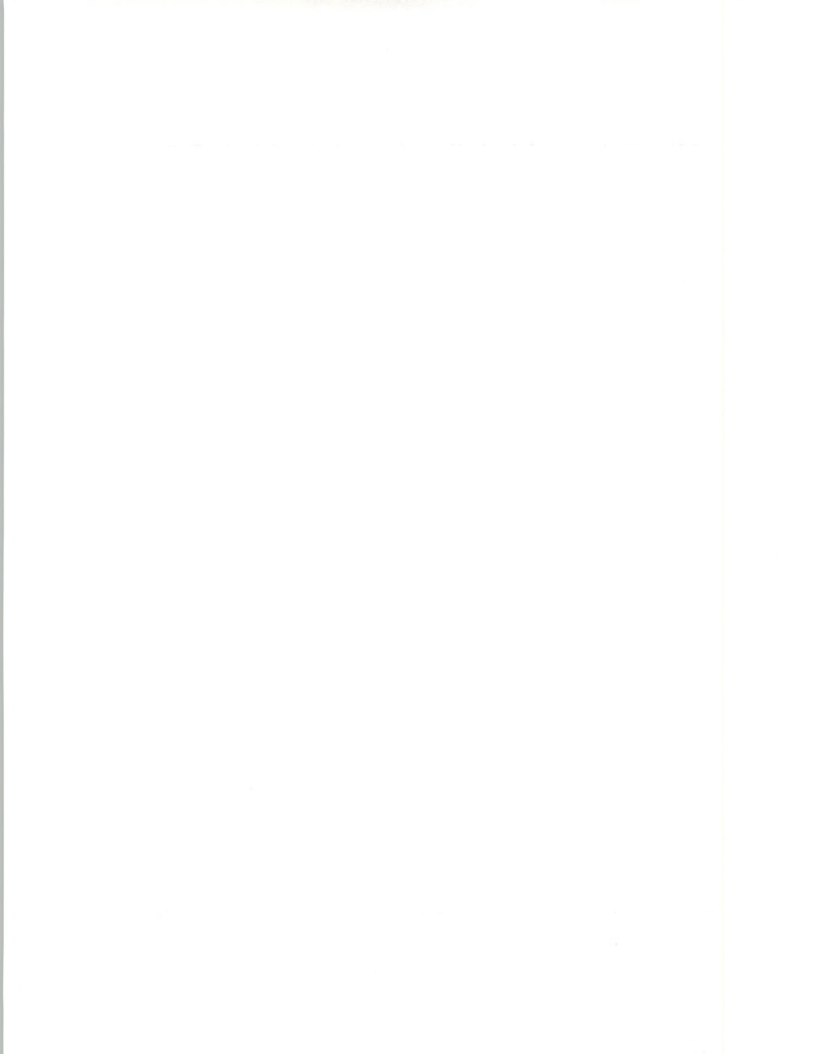
- TO DETERMINE THE MARKETING PRACTICES OF THE VARIOUS TYPES OF COMPUTER COMPANIES TOWARDS THE EDUCATION MARKETPLACE.
- TO COMPARE THE MARKETING ORGANIZATION OF THESE COMPANIES RELATIVE TO SELLING TO THE EDUCATION COMMUNITY.
- TO DETERMINE THE EDUCATION DISCOUNTS OFFERED.



INTRODUCTION - (continued)

SCOPE

- SIX MAJOR MAINFRAME COMPANIES.
- THREE MAJOR MINICOMPUTER COMPANIES.
- THREE MAJOR PERSONAL COMPUTER COMPANIES.
- ALL SELECTED FOR STUDY BY IBM.



INTRODUCTION - (continued)

• COMPANIES INTERVIEWED :

- AMDAHL
- APPLE
- BURROUGHS
- COMMODORE
- CONTROL DATA
- DATA GENERAL
- DIGITAL EQUIPMENT
- HEWLETT PACKARD
- HONEYWELL
- NATIONAL SEMICONDUCTOR
- SPERRY UNIVAC
- TANDY



INTRODUCTION - (continued)

METHODOLOGY

- QUESTIONNAIRE DESIGNED BY INPUT AND USED WITH IBM'S APPROVAL.
- ALL INTERVIEWS WERE BY TELEPHONE.
- BEST EFFORTS USED TO OBTAIN TWO INTERVIEWS PER COMPANY.
- RESULTS REPORTED ORALLY AND IN PRESENTATION FORMAT.
- IBM NEVER IDENTIFIED.
- INPUT IDENTIFIED AS A MARKET RESEARCH FIRM.



=====

CONCLUSIONS

=====

INPUT
YEDS08



CONCLUSIONS

GENERAL

- ALL COMPANIES CLAIM TO BE CONCENTRATING ON SELLING TO EDUCATION.
- OVERALL, THERE IS NO COHERENT APPROACH TO THIS MARKET.
 - WITHIN COMPANY TYPES MORE CONSISTENCY EXISTS.
- MICROCOMPUTERS ARE BRINGING MAJOR CHANGES TO CERTAIN ASPECTS OF THE MARKET.
- PROPOSITION 13 TYPE LAWS AND FORCED LOW BID LAWS WILL ALSO LEAD TO SIGNIFICANT CHANGES IN THE OVER-ALL ARENA.
- SYSTEM BOOKINGS TO INSTITUTIONS AND SCHOOL DISTRICTS ARE EXPECTED TO INCREASE.
 - REVENUE FROM EDUCATION AS A PERCENTAGE OF OVERALL SALES WILL PROBABLY DECLINE.



CONCLUSIONS - (continued)

- FEW PRODUCTS ARE DESIGNED SOLELY FOR THE EDUCATION MARKET.
 - SOFTWARE THAT WAS PLANNED FOR EDUCATION HAS FREQUENTLY FOUND OTHER MARKETS.
- EDUCATION MARKETING AND/OR PRODUCT SPECIALISTS ARE USUALLY NOT AWARE OF THE FINANCIAL DETAILS OF A SALE.
 - THIS USUALLY WORKED OUT BETWEEN THE BRANCH, THE REGION AND IN SOME CASES THE HOME OFFICE.
- EDUCATION DISCOUNTS, IF GIVEN, ARE FOR PURCHASED HARDWARE ONLY.
 - THERE ARE SOME EXCEPTIONS WHERE DISCOUNTS ARE EXTENDED TO OTHER CONTRACT TYPES AND/OR OTHER PRODUCTS.



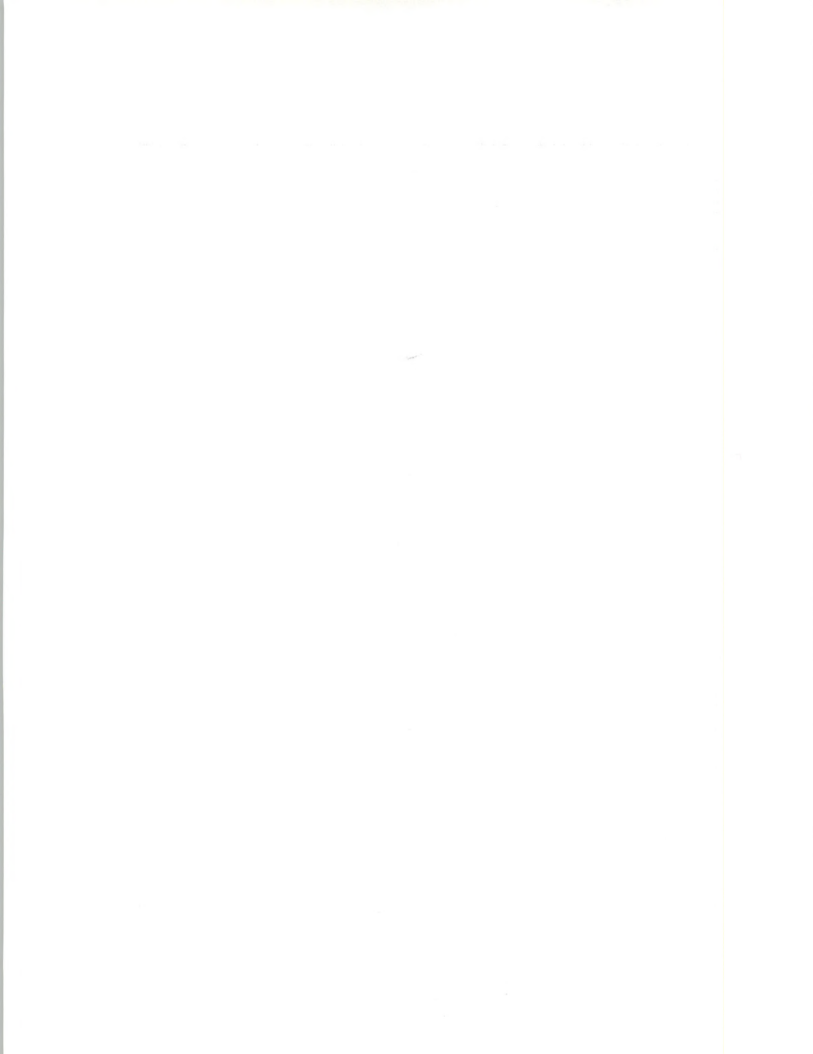
=====

CONCLUSIONS - (continued)

=====

MAINFRAME COMPANIES

- SALES TO EDUCATION: ~ 5-7% OF 1980 SALES.
- IN GENERAL, THESE COMPANIES WILL MEET THE COMPETITION IF THEY WANT THE ACCOUNT.
- MOST HAVE FORMAL DISCOUNT POLICIES.
 - ALL GIVE DISCOUNTS.
 - DISCOUNT RANGE ON SYSTEMS IS 5-20%.
 - SOME DISCOUNT HARDWARE, SOFTWARE AND MANUALS.
- PRIME CRITERION: INSTRUCTIONAL USE.
 - RARELY DISQUALIFY ANYONE.
- USUALLY HAVE HOME OFFICE SUPPORT GROUP.
 - FIELD ORIENTATION VARIES BY COMPANY.



CONCLUSIONS - (continued)

- USUALLY HAVE CORPORATE GRANT PROGRAMS.
- UNIVERSITIES USED AS TEST SITES OR TO DEVELOP SPECIAL SOFTWARE.



CONCLUSIONS - (continued)

MINICOMPUTER COMPANIES

- GENERALLY VERY RETICENT ABOUT TALKING TO ANYONE ON THE OUTSIDE.
- HAVE A FORMAL NO DISCOUNT POLICY FOR EDUCATION.
 - IN PAST, HAVE BEEN VERY SUPPORTIVE OF EDUCATION WITH GRANTS OF SYSTEMS.
 - WILL OCCASIONALLY MEET THE COMPETITION.

[The body of the page contains extremely faint, illegible text, likely bleed-through from the reverse side of the document. The text is organized into several columns and paragraphs, but the specific content cannot be discerned.]

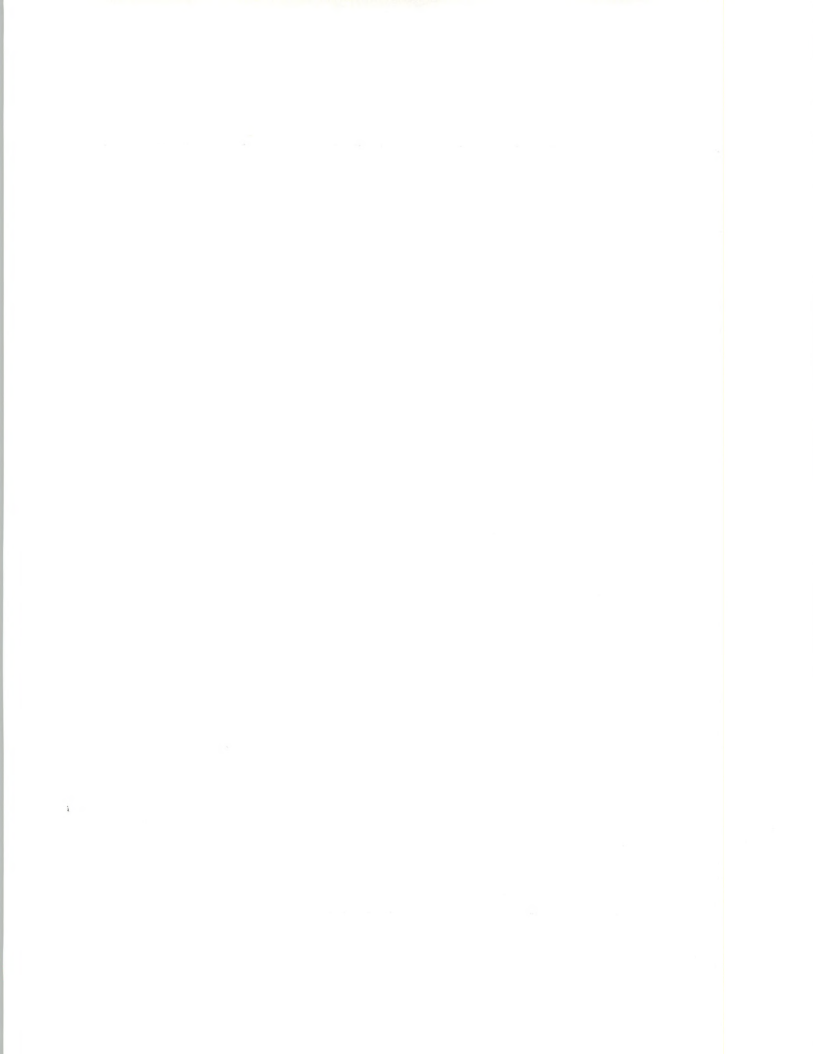
CONCLUSIONS - (continued)

PERSONAL COMPUTER COMPANIES

- SELL TO END USERS THROUGH DEALERS.
 - ONLY GET INVOLVED WITH END USERS IN EDUCATION ON LARGE BIDS.
- STRONGLY FEEL THEIR SHARE OF THE EDUCATION MARKET WILL SHARPLY INCREASE.
 - SEE THEIR MARKET STRENGTH IN THE LOCAL SCHOOL DISTRICTS WITH COMPUTER LITERACY.
- TWO OUT OF THREE INTERVIEWED GIVE EDUCATIONAL DISCOUNTS.
 - ONLY ON SYSTEMS GENERALLY.
- ARE STRONG BELIEVERS IN SEEDING THE MARKET.
 - HAVE ACTIVE DONATION PROGRAMS, FREQUENTLY AT THE DEALER LEVEL.



COMPANY PROFILES



COMPANY A

- MAINFRAME COMPANY.
- EDUCATION IS AN EMPHASIZED INDUSTRY SECTOR WITHIN THE PUBLIC INDUSTRY SEGMENT.
 - EDUCATION PRODUCT SUPPORT GROUP BUYS SERVICES FROM OTHER IN-HOUSE GROUPS.
 - SIXTY U.S. BRANCHES HAVE SALESPeOPLE SPECIALLY TRAINED IN SELLING TO THE PUBLIC SECTOR.
- FLEXIBILITY DEPENDS UPON TOTAL MARKETING SITUATION.
 - SOMETIMES THE BEST DEAL IS A STATE AND LOCAL GOVERNMENT CONTRACT.
- DISCOUNTS.
 - SYSTEMS: 5-15% DEPENDING UPON PROFITABILITY.
 - HARDWARE: REGULAR QUANTITY DISCOUNT.
 - SOFTWARE: 50% OFF PROGRAM PRODUCTS ON BILLINGS OVER \$2,000/MONTH.



COMPANY A - (continued)

- CONTRACT TYPE: NO DISTINCTION MADE, PROFIT-
ABILITY IS KEY.
- "EFFECTIVE": SOMETIMES DONE, DEPENDS UPON
MARKET DYNAMICS.
- HAVE EMPLOYEE MATCHING GRANT PROGRAM TO HIGHER
EDUCATION.
- IF FEDERAL FUNDS ARE USED TO BUY SYSTEM SOMETIMES
FEDERAL BRANCH WANTS CREDIT.
- HAVE HAD UNIVERSITIES PRODUCE SOFTWARE UNDER
CONTRACT.
- PHILOSOPHY: SEEDING THE MARKET FOR LONG-TERM
PAYOFF.
- NOT TOO EFFECTIVE BECAUSE EVERYONE IS DOING
THE SAME THING.



COMPANY B

- MAINFRAME COMPANY.
- HAVE A "LINE OF BUSINESS" ORGANIZATION.
 - GEM GROUP:
 - . FOR PRODUCT DEVELOPMENT.
 - . FOR H.O. INDUSTRY SUPPORT.
 - . REGIONAL MARKETING TEAMS.
 - . LARGER BRANCH OFFICES HAVE EDUCATION MARKETING TEAMS.
- FLEXIBLE POLICIES.
 - INSTITUTIONS AND DISTRICTS GET SPECIAL CONSIDERATION IF SYSTEM IS FOR INSTRUCTIONAL USE.
 - MARKET DYNAMICS CAN CHANGE POLICIES IN SPECIAL SITUATIONS.



=====

COMPANY B - (continued)

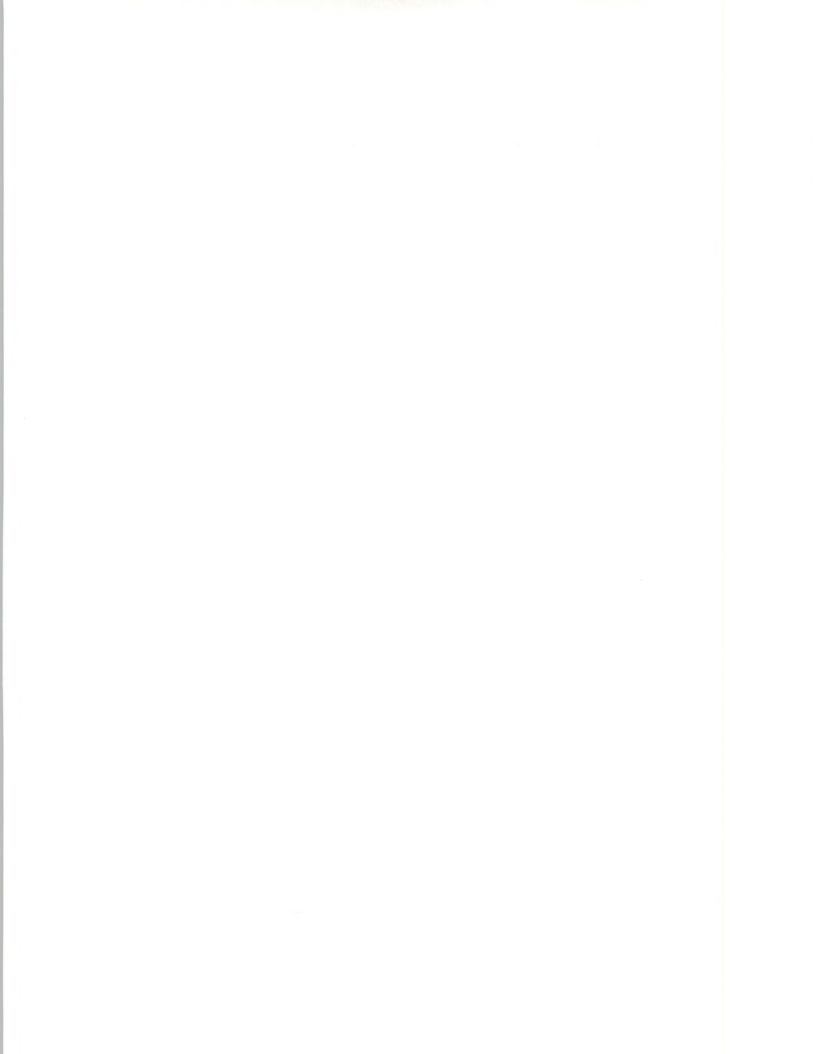
=====

- DISCOUNTS.

- SYSTEMS: 10% (HAS GONE AS HIGH AS 20%).
- HARDWARE: 10% ABOVE QUANTITY DISCOUNTS.
- MANUALS: 10-20%.
- NO SERVICES DISCOUNTED.
- CONTRACT TYPE: CONFLICTING RESPONSES. ALL
AGREE DISCOUNT WOULD APPLY
TO CASH BALANCE IF PURCHASE
OPTION WERE TO BE EXERCISED.

- CORPORATE GRANT PROGRAM.

- RECENTLY GAVE \$100K OF SOFTWARE TO GET MORE
SOFTWARE.



COMPANY B - (continued)

- PHILOSOPHY.
 - DO OUR FAIR SHARE.
 - IBM PHILOSOPHY.



COMPANY C

- MAINFRAME COMPANY.
- MARKETING.
 - GENERAL SALESPERSON SELLS TO EDUCATION.
 - H.O. GROUP IS AN AD HOC ONE.
 - SELL PRIMARILY TO UNIVERSITIES AND VERY LARGE DISTRICTS.
- FLEXIBILITY.
 - VERY STRICT, TRY TO ADHERE TO POLICIES.
 - H.O. REVIEWS EVERY CASE.



=====

COMPANY C - (continued)

=====

- DISCOUNTS.

- SYSTEMS: 10% ON LARGE AND MEDIUM, NONE ON SMALL.
- SOFTWARE: 10% SOMETIMES.
- MANUALS: 10% BUT RELATED TO SOFTWARE.
- CONTRACT TYPE: INSTALLMENT PURCHASE AND LEASE ARE TAKEN AS PURCHASE - 10%.
- IF USE IS STRICTLY ACADEMIC, SALESPERSON CAN GET GREATER DISCOUNT.
- IF FEDERAL FUNDS ARE USED, DISCOUNT MIGHT BE LESS.

- PHILOSOPHY.

- EARLY CUSTOMERS WERE UNIVERSITIES AND THEY WERE VERY SUPPORTIVE SO WE REMEMBER THEM.



COMPANY D

- MAINFRAME COMPANY.
- MARKETING ORGANIZATION.
 - GEM IS A TARGETED MARKET SEGMENT.
 - H.O. SUPPORTS EDUCATION FROM SEVERAL LOCATIONS.
 - FIELD IS PRODUCT ORIENTED RATHER THAN INDUSTRY ORIENTED.
 - BRANCHES ARE NOT SPECIALIZED BUT TEND TO "MAJOR" IN CERTAIN MARKETS.
- DISCOUNTS.
 - NO FORMAL EDUCATIONAL DISCOUNT POLICY.
 - USED TO HAVE ONE BUT CONSIDER EACH CASE INDIVIDUALLY.
- PROFITABILITY

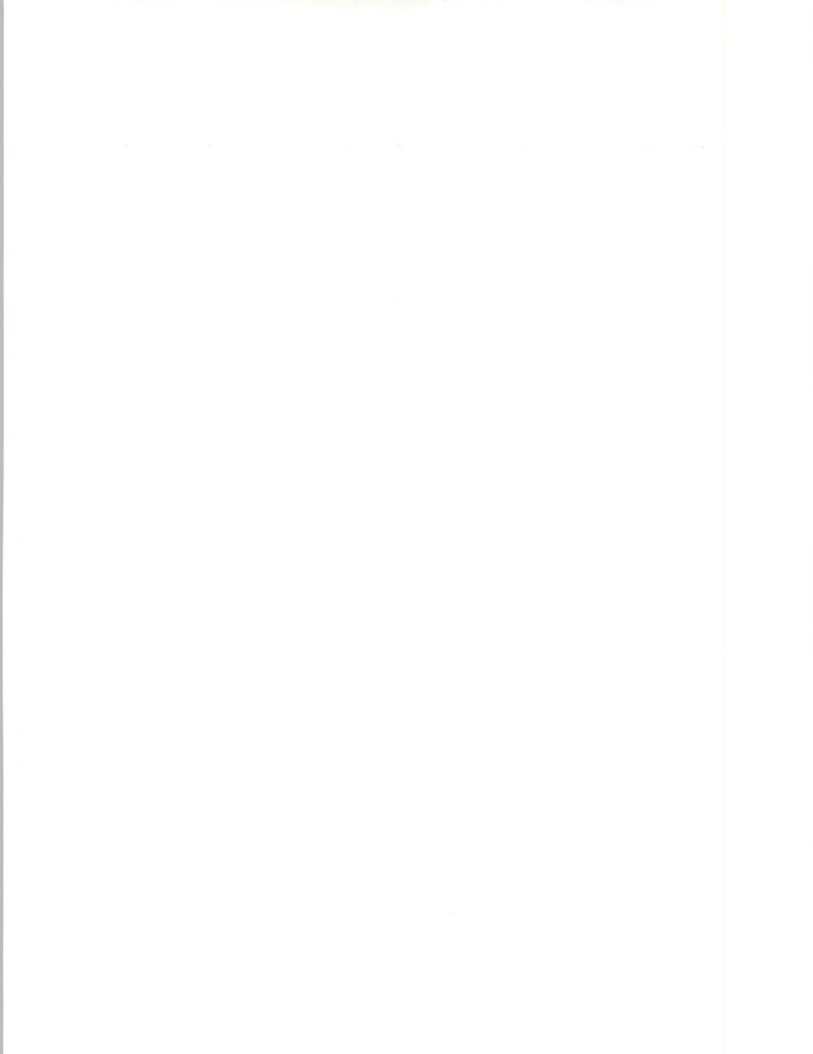


=====

COMPANY D - (continued)

=====

- . MARKET DYNAMICS.
- . BENEFIT TO US.
- THOSE DISCOUNTS THAT ARE PUSHED THROUGH
COULD BE FOR ANY COMPANY. EDUCATION DOES
NOT SEEM TO GET SPECIAL CONSIDERATION.



COMPANY E

- MAINFRAME COMPANY.
- MARKETING.
 - STRONG H.O. INDUSTRY MARKETING GROUP HEADED BY A VICE PRESIDENT.
 - HAVE FIELD SPECIALISTS IN EDUCATION.
 - EMPHASIZE EDUCATION AND TRAINING WITH SPECIAL PRODUCT LINES.
 - TWENTY-FIVE PERCENT OF TOTAL SYSTEMS ARE IN HIGHER EDUCATION, EXPECT TO GROW TO 35%.
- FLEXIBLE IN MEETING EACH INDIVIDUAL SITUATION.
- DISCOUNTS.
 - NO SPECIAL EDUCATIONAL DISCOUNTS.
 - FEEL THAT THEIR PRODUCTS ARE UNIQUE AND, THEREFORE, THEY HAVE NO NEED TO "DEAL".



=====

COMPANY E - (continued)

=====

- PROBABLY WOULD RESPOND TO A COMPETITIVE SITUATION.
- EDUCATION GETS THE SAME DISCOUNTS AS ANY OTHER CUSTOMER, IF ELIGIBLE.
- CORPORATE GRANT PROGRAM.
 - HAS LONG BEEN A SUPPORTER OF EDUCATION.
 - SYSTEMS HAVE BEEN GIVEN TO UNIVERSITIES FOR RESEARCH WITH STIPULATIONS THAT THE GRANTOR HAS FIRST CHOICE IF ANY USEFUL PRODUCTS EMERGE.
- PHILOSOPHY.
 - UNIQUE PRODUCTS DO NOT NEED A DISCOUNT TO BE SOLD.



COMPANY F

- MAINFRAME COMPANY.
- MARKETING.
 - EDUCATION IS TREATED AS AN INCIDENTAL MARKET ALTHOUGH THEY CLAIM 13-15% OF THEIR 1980 REVENUES ARE FROM HIGHER EDUCATION.
 - NO SEPARATE FIELD SALES GROUP TUNED TO THE EDUCATION MARKET.
- DID NOT INDICATE ANY FLEXIBILITY WHEN FACED WITH A COMPETITIVE SITUATION.
- DISCOUNTS.
 - NO SPECIAL DISCOUNTS FOR EDUCATION.
 - UNIVERSITIES RECEIVE THE SAME OEM, QUANTITY OR OTHER DISCOUNTS AS COMMERCIAL OR GOVERNMENT ACCOUNTS.



=====

COMPANY F - (continued)

=====

- CORPORATE GRANT PROGRAM.
 - MOST LIKELY DO NOT HAVE A FORMAL PROGRAM POLICY OR PROCEDURE BUT MAY CONSIDER EACH APPLICATION ON ITS OWN MERITS.
- PHILOSOPHY.
 - OUR SYSTEMS HAVE ENOUGH FINANCIAL ADVANTAGES THAT DISCOUNTS ARE NOT NECESSARY.

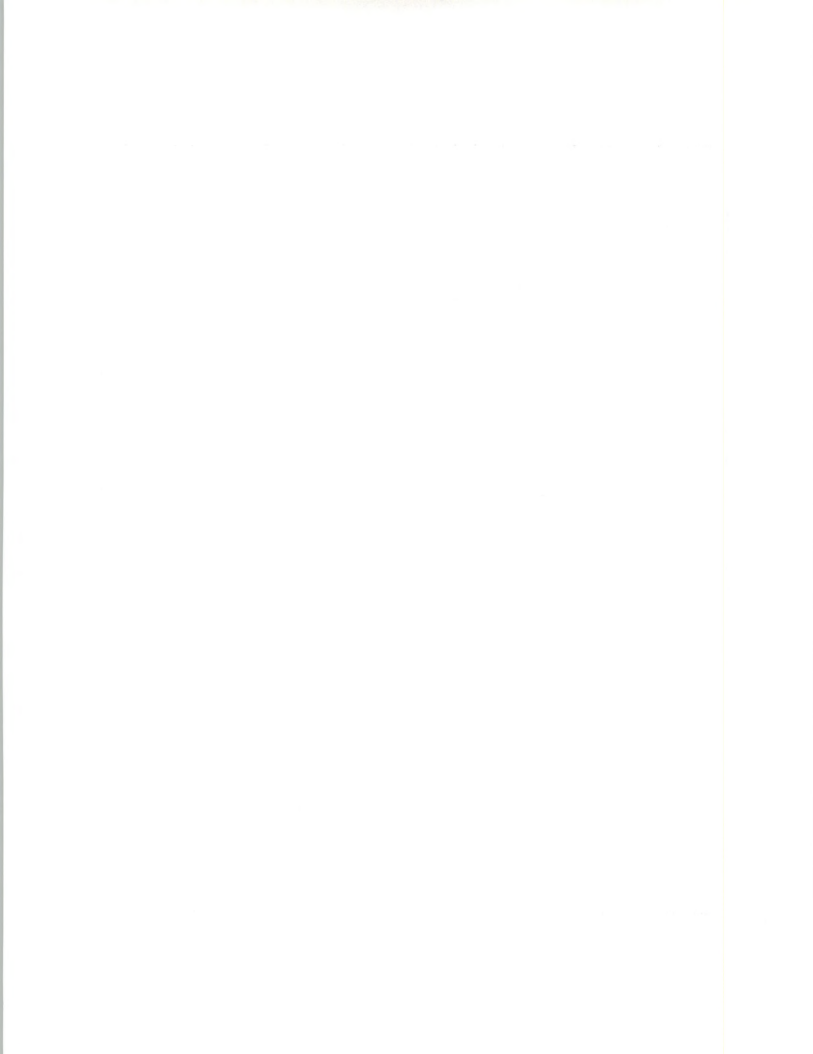


=====

COMPANY G

=====

- MINICOMPUTER COMPANY.
- MARKETING.
 - H.O. EDUCATION PRODUCT MARKETING GROUP.
 - NO SPECIALIZED FIELD SALESPEOPLE.
 - SOME SYSTEMS ARE SOLD TO SCHOOLS THROUGH DEALERS.
- CLAIM TO HAVE STRICT POLICIES, BUT HAVE BEEN KNOWN TO MEET THE COMPETITION.
- DISCOUNTS.
 - NO SPECIAL FORMAL EDUCATIONAL DISCOUNTS.
 - HAVE USED SOFTWARE TO "SWEETEN THE POT".
 - DEALERS CAN MAKE THEIR OWN DEALS.
 - WILL MEET THE COMPETITION IF THE ACCOUNT IS DEEMED BENEFICIAL TO COMPANY.



=====

COMPANY G - (continued)

=====

- CORPORATE GRANT PROGRAM.
 - VOC-TECH SCHOOLS AND HIGHER.
 - INSTRUCTIONAL USE ONLY (VERY STRICT).
 - SCHOOLS MUST HAVE THE CAPACITY TO TRAIN PEOPLE FOR THE COMPUTER INDUSTRY.
 - PREFER TO GIVE GRANTS IN LOCALES WHERE COMPANY MAINTAINS PLANTS.
- PHILOSOPHY.
 - EDUCATION IS ONE OF MANY MARKETS - NO NEED FOR SPECIAL CONSIDERATION.
 - TRAINING PERSONNEL IN LOCAL AREAS AROUND MANUFACTURING PLANTS IS A DIRECT AND IMMEDIATE BENEFIT.



COMPANY H

- MINICOMPUTER COMPANY.
- MARKETING.
 - EDUCATION WAS PRIMARY MARKET IN THE BEGINNING.
 - STRONG H.O. PRODUCT DEVELOPMENT AND MARKETING SUPPORT GROUPS.
 - STRONG REGIONAL SUPPORT FOR EDUCATION.
 - CURRENTLY NO SPECIALIZED EDUCATION SALESPEOPLE.
 - ARE BEGINNING TO USE DEALERS TO REACH END USERS.
- NOT VERY FLEXIBLE.
 - HAVE A REPUTATION OF NOT MAKING DEALS OR OF NOT GOING FAR TO MEET COMPETITION.



=====

COMPANY H - (continued)

=====

- DISCOUNTS.
 - NO SPECIAL DISCOUNTS FOR EDUCATION.
 - HAVE FORMAL QUANTITY END USER AND OEM DISCOUNT SCHEDULES.
 - SELL DEMO EQUIPMENT TO SCHOOLS AT REDUCED PRICES.
- CORPORATE GRANT PROGRAM.
 - HAVE GIVEN SYSTEMS WITH NO STRINGS.
 - INITIALLY GAVE MANY SYSTEMS FOR SOFTWARE DEVELOPMENT AND TESTING.
- PHILOSOPHY.
 - STRONGLY SUPPORTIVE OF EDUCATION WITH CORPORATE AND PERSONNEL CONTRIBUTIONS.



COMPANY I

- MINICOMPUTER COMPANY.
- MARKETING.
 - HAVE SPECIAL H.O. PRODUCT DEVELOPMENT GROUP.
 - H.O. INDUSTRY MARKETING GROUP.
 - SELL TO SCHOOLS THROUGH EDUCATION OEMs.
 - HAVE SOME EDUCATION SALESPEOPLE.
 - MARKET SPECIALIZED EQUIPMENT AND PREPACKAGED SYSTEMS TO SCHOOL.
- VERY FLEXIBLE IF IT IS MUTUALLY BENEFICIAL.
- DISCOUNTS.
 - NO FORMAL SET DISCOUNT POLICY.
 - HAVE DISCOUNT AGREEMENT WITH MANY UNIVERSITIES.



=====

COMPANY I - (continued)

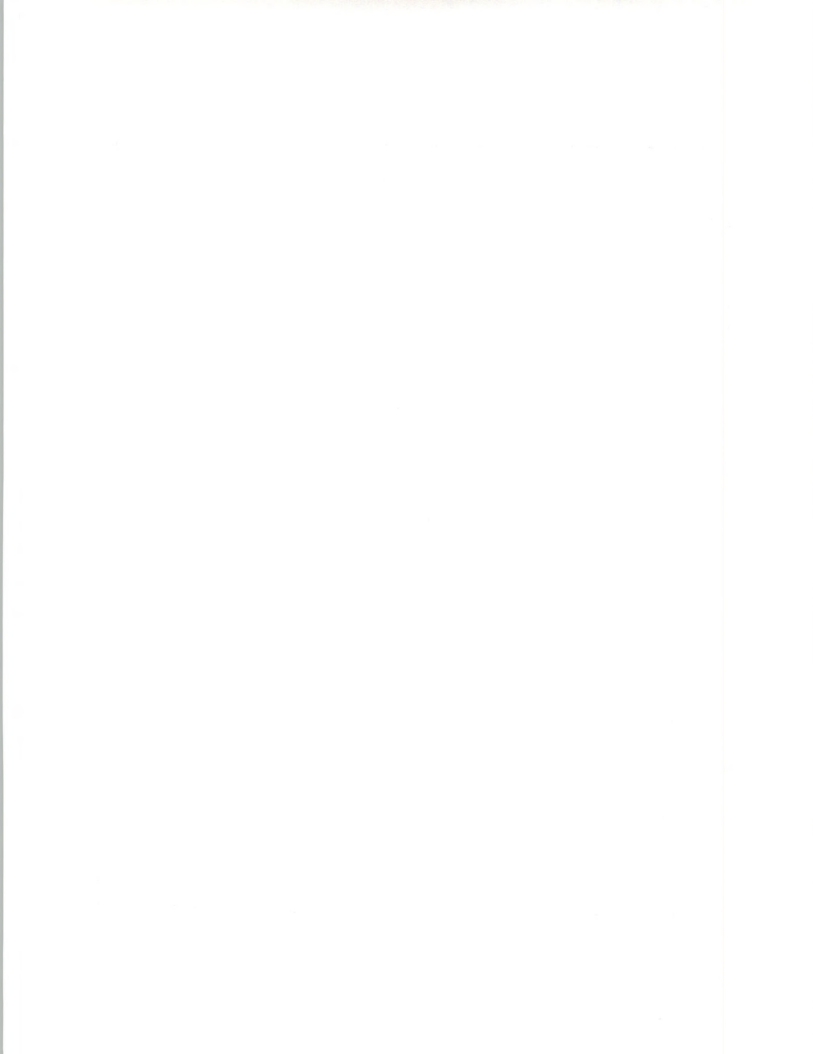
=====

- CAN SELL TO SCHOOL DISTRICTS UNDER STATE GOVERNMENT CONTRACTS WHICH IN ONE CASE WAS A FLAT 8% DISCOUNT.
- WILL NEGOTIATE IN ANY SITUATION.
- WILL ALLOW MULTIPLE DISCOUNTS IF ELIGIBLE.
- EDUCATION RECEIVES "PREFERRED INTEREST RATES" IN A LEASE OR INSTALLMENT PURCHASE SITUATION.
- ANY GRANTED DISCOUNT IS CARRIED THROUGH INTO THE PURCHASE OPTION.
- CORPORATE GRANT PROGRAM.
 - CORPORATE CONTRIBUTION GROUP HANDLES EACH REQUEST INDIVIDUALLY.
 - NO SET POLICY.



COMPANY I - (continued)

- PHILOSOPHY.
 - IBM CONCEPT.
 - GOOD EXPOSURE.



COMPANY J

- PERSONAL COMPUTER COMPANY.
- MARKETING.
 - DEALERS SELL TO SCHOOLS.
 - H.O. EDUCATION SALES MANAGEMENT TEAM.
 - H.O. PRODUCT MARKETING GROUP.
 - H.O. GETS INVOLVED IN STATEWIDE DEALS.
 - EDUCATION IS OVER 10% OF THEIR 1980 SALES.
 - HAVE A LARGE A/V MANUFACTURER AS AN OEM.
- VERY INFLEXIBLE.

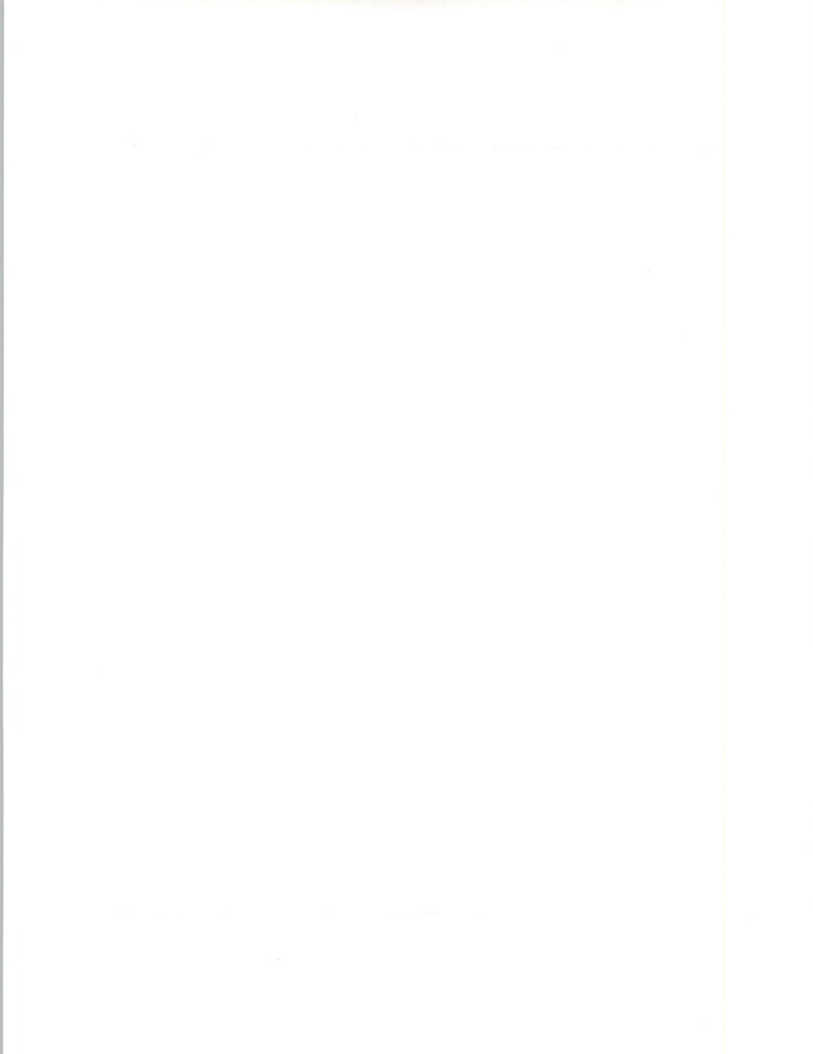


=====

COMPANY J - (continued)

=====

- DISCOUNTS.
 - NOTHING SPECIAL FOR EDUCATION.
 - MAY GIVE SOME TECHNICAL SUPPORT IF NECESSARY.
 - QUANTITY DISCOUNTS AVAILABLE FOR EVERYONE.
 - DEALERS MAY MAKE OWN DEALS.
- CORPORATE GRANT PROGRAM.
 - CORPORATE FOUNDATION WILL GRANT A SYSTEM TO A SCHOOL FOR A VERY CREATIVE OR UNIQUE APPLICATION.
 - SCHOOL MUST APPLY FOR THE GRANT.
- PHILOSOPHY.
 - ENCOURAGE APPLICATION SHARING.
 - PROMOTE COMPUTER LITERACY.



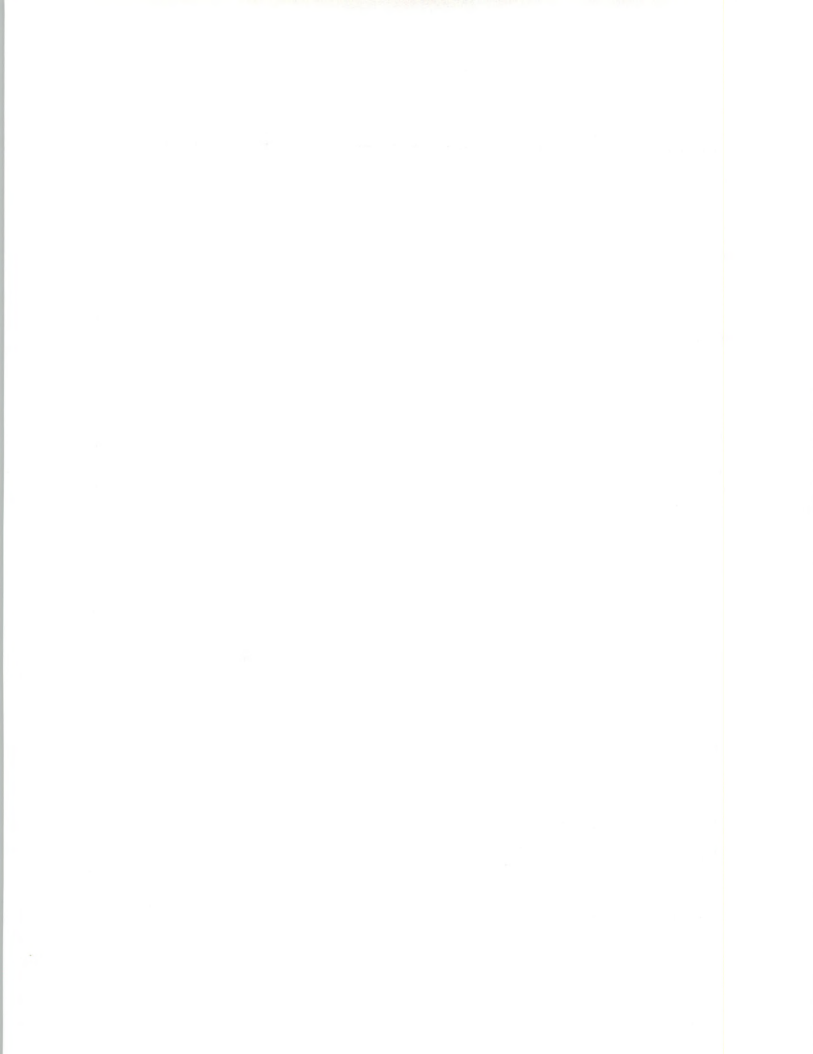
COMPANY K

- PERSONAL COMPUTER COMPANY.
- MARKETING.
 - SELL THROUGH DEALERS TO EDUCATION END USERS.
 - BUILDING A H.O. EDUCATION SUPPORT GROUP NOW.
 - WILL GET INVOLVED WITH STATEWIDE BIDS.
- CAN BE FLEXIBLE, IF NECESSARY, TO GET LARGE BIDS.
 - DEALERS CAN BE AS FLEXIBLE AS THEY CHOOSE WITHIN THE BOUNDS OF ANY CONTRACT WITH THE MANUFACTURER.
- DISCOUNTS.
 - SYSTEMS.
 - THREE FOR TWO DEAL - DEALER SELLS TWO SYSTEMS TO A BONA-FIDE SCHOOL AT LIST (OR GOING) PRICE AND THEN MANUFACTURER WILL SHIP THE THIRD SYSTEM FREE TO THE SCHOOL.



COMPANY K - (continued)

- LARGE BIDS.
 - . OTHER DISCOUNTS CAN BE ARRANGED IF
WORKED OUT PRIOR TO THE BID.
- DEALERS MIGHT RENT OR LEASE SYSTEMS TO SCHOOL
BUT THE THREE FOR TWO DEAL STILL HOLDS.
- LOANERS ARE GIVEN TO SYSTEM HOUSES FOR SOFTWARE
DEVELOPMENT AND AN EDUCATION SYSTEM
HOUSE WOULD QUALIFY.
- PHILOSOPHY.
 - HELPS GET THE LOWEST BID.



COMPANY L

- PERSONAL COMPUTER COMPANY.
- MARKETING.
 - SELL TO EDUCATION END USERS THROUGH DEALERS.
 - H.O. EDUCATION SPECIALISTS.
 - H.O. NATIONAL BID GROUP SEEKS OUT STATEWIDE BIDS.
 - HAVE LARGE SCHOOL PUBLISHING HOUSE AND TESTING SERVICE AS OEMs.
- DISCOUNTS.
 - SYSTEMS.
 - . A SMALL EDUCATION DISCOUNT (ABOUT 5%) IS ADDED TO THE STANDARD QUANTITY DISCOUNT.
 - HARDWARE.
 - . SAME AS SYSTEMS.



=====

COMPANY L - (continued)

=====

- TRAINING.
 - . TEACHERS GET INITIAL CLASS IN BASIC FREE.
- DEALERS DO NOT DISCOUNT SINGLE UNIT ORDERS.
- NATIONAL BID GROUP MAY OFFER A LEASE CONTRACT WITH A DISCOUNT.
- PHILOSOPHY.
 - COMPANY OCCASIONALLY MAKES AN EDUCATIONAL GRANT.
 - . NO FIXED RULES.
 - COMPANY FEELS AN OBLIGATION TO SUPPORT EDUCATION.

